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February 2, 2000

EX PARTE

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

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OFFICE OF THE SECRETARY

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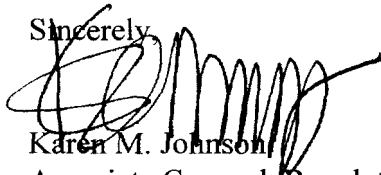
CC Docket No. 96-128

Dear Salas:

On Tuesday, February 1, 2000, Lawrence Fenster, Diane Moore and I met with Charles Keller, Diane Harmon and Martin Schwimmer of the Common Carrier Bureau's Network Services Division to discuss the RBOC Coalition's ex parte letter. We distributed the attached document at the meeting.

In accordance with section 1.1206 of the Commission's rules, 47 C.F.R. § 1.1206, an original and one copy of this memorandum are being filed with your office.

Sincerely,



Karen M. Johnson
Associate Counsel, Regulatory Affairs

cc: Chuck Keller
Diane Harmon
Marty Schwimmer

U.S. of Origins rec'd
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Payphone Compensation by Facilities-based Resellers

February 1, 2000



Facilities-based Reseller (FBR) Decision Was Correct

- Basic compensation principles of Commission's Payphone Orders:
 - Carrier Pays (Report & Order at 83)
 - Carrier that receives the completed call must track and compensate those calls. (47 C.F.R. § 64.1300(a), § 64.1310(a).
- Conclusion: Carrier that maintains switching capability, "...regardless if the switching equipment is owned or leased..." is responsible for payphone compensation. (Recon Order at 92)

Facilities-based Reseller (FBR) Decision Was Correct

- Decision is administratively efficient
 - Switch-based reseller is the party capable of tracking completed calls most efficiently
 - Minimizes cost of settling disputes
 - Minimizes FCC compliance efforts

CIC Proposal Requires Petition for Rulemaking

- FBR decision was finalized over three years ago
- No party appealed the FBR decision
- CIC proposal asks the Bureau to change the Commission-established criteria for determining which carrier is responsible for compensation
 - CIC proposal shifts compensation obligation for many calls away from carrier most able to determine if a call has been completed

CIC Proposal Has Serious Flaws

- Harms pure resellers the most
 - Resellers with CIC, but no switch, (among the smallest entities) would be responsible for compensation.
 - Places burden on carriers who can not determine if a call has been completed.
 - Shifts a relatively higher regulatory burden to smallest carriers (R&O at 86)
- Sends wrong message to pure resellers that choose to obtain CICs
 - Might abandon CIC code, increase customer confusion and “slamming” complaints

CIC Solution Has Serious Flaws

- Administratively Inefficient
 - Facilities-based carriers have incurred considerable back-office expense implementing existing compensation requirements
 - Carrier responsible for compensation may not have needed tracking information
 - Creates brand new disputes with prepaid card providers that do not have CICs (but are the party able to track a call to completion)
 - Create new disputes with pure resellers with CICs
 - Cost of settling disputes will increase
 - FCC compliance efforts will become more difficult

CIC Proposal Upsets Balance of Obligations Desired by Commission

- LECs obligated to implement FLEX ANI
- PSPs obligated to contact facilities-based carriers.
- Facilities-based carriers (wholesellers & resellers) obligated to track and compensate calls
- Pure resellers not directly obligated to track and compensate calls. Pay surcharges to facilities-based carriers instead
- CIC proposal reduces obligations on PSPs by increasing obligations on pure resellers with CICs

MCI WorldCom is Working Diligently to Identify FBRs to PSPs

- Agreed to provide most currently available contact names and numbers of FBRs on a quarterly basis
- Work with PSPs to track down inaccurate contact information

Steps to Improve FBR Compensation

- MCI WorldCom Will Insert Language Into Standard Contracts to:
 - inform FBRs of payphone compensation obligations
 - identify FBR contact responsible for compensation obligations
- Appropriate Commission Actions
 - Issue Public Notice informing FBRs of their compensation obligations
 - Require FBRs to certify FBR status with FCC
 - Expedite complaint resolution between PSPs and FBRs